GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

STARRED QUESTION NO:86
ANSWERED ON:23.10.2008
IMPACT OF HIKE IN AIR- FARES
Rao Shri Sambasiva Rayapati

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether due to hike in air fares, middle-class sections of the country`s population have reverted to travel by trains; and

(b) if so, the steps taken by the Government to revive economy fares to facilitate air travel by middle class sections?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL)

(a) and (b):- A statement is laid on the Table of the House.

STATEMENT IN REPLY TO LOK SABHA STARRED QUESTION NO. 86 FOR 23.10.2008 TABLED B Y SHRI RAYAPATI SAMBASIVA RAO, M.P. REGARDING IMPACT OF HIKE IN AIR-FARES:

(a): The Governement does not maintain record on shift of mode of transport by passengers. However, it is mentioned that in comparison of 32.5% growth rate in 2007, there has been a decline in the passenger growth by 0.71% in 2008 (January to September).

(b): The single largest element contributing to the airline cost is the Aviation Turbine Fuel (ATF). ATF accounts for 45-50% of the operating cost of Indian carriers. Government has taken various steps to reduce the ATF cost. In this regard, State Governments have been requested to consider moderation of the rate of sales tax imposed on Aviation Turbine Fuel (ATF) and align it with the `Declared Goods` rate.Empowered Committee of State Finance Ministers was also requested to consider moderation of the rate of sales tax imposed on ATF and reduce it to the `Declared Goods` rate.The matter of ATF was also discussed in the national conference on Civil Aviation held on 18.01.2008 at New Delhi with the representatives of all State Governments and Union Territories. Based on the deliberations held in the Conference, a group of officers has been constituted with a view to present the ATF taxation issues to the Empowered Committee of State Finance Ministers as well as the Ministry of Finance.

Government of Andhra Pradesh has since reduced the sales tax on ATF to 4%. Government of Rajasthan has also reduced the sales tax on ATF to 4% in certain cases. Government of Maharashtra has also reduced Sales tax on ATF from 25% to 4% for flights from airports other than Pune and Mumbai.

A Committee headed by Cabinet Secretary has also been constituted to examine various issues relating to the current financial crisis being faced by domestic airlines. The first meeting of the Committee was held on 14.08.2008.